

## FY 2001 INTERNAL REVENUE SERVICE BUDGET REQUEST

### Total Budget Request

For FY 2001, the IRS is requesting resources totaling **\$8.841 Billion and 98,051 FTE**. This request is \$769 million more than the \$8.072 billion (adjusted for \$32 million rescission) in funding provided by the Congress in FY 2000. In addition, as the fourth year in a five-year initiative, the IRS is requesting \$145 million and 2,082 FTE in funding (an increase of only \$1 million over FY 2000) outside the spending caps for the Earned Income Tax Credit (EITC) appropriation.

### Budget Increases

The \$8.841 billion is required to deliver on the IRS Restructuring and Reform Act of 1998 (RRA 98) mandates, implement organizational modernization, and acquire the critical needed information technology. This request is driven in part by the funding level requested in the FY 2000 budget.

When the FY 2000 budget was formulated more than 18 months ago, the IRS was unable to fully estimate the operational impact of RRA 98 requirements, and the effects of continuing to focus staffing resources on raising the level of customer service, including the Automated Collection System (ACS).

The increases in the IRS budget request fall into two broad management categories: (1) **Maintaining Current Operations** and (2) **Modernization**.

FY 2001 IRS Budget Request (critically)			
Appropriation:	FY 2000	FY 2001	Diff
Processing, Assistance & Mgmt.	\$3,340	\$3,699	\$359
Tax Law Enforcement	\$8,215	\$8,439	\$224
Information Systems	\$1,495	\$1,364	-\$131
Investment Technology Account	\$0	\$119	\$119
<b>TOTAL IRS--inside Caps</b>	<b>\$8,072</b>	<b>\$8,841</b>	<b>\$769</b>
<b>Dollars (with rescission)</b>	<b>\$8,072</b>	<b>\$8,841</b>	<b>\$769</b>
<b>FTE</b>	<b>95,223</b>	<b>98,051</b>	<b>2,829</b>
FY 2000 Proposed Supplemental	\$40		(\$40)
Dollars	301		(301)
FTE			
<b>TOTAL Proposed IRS</b>			
<b>Dollars</b>	<b>\$8,112</b>	<b>\$8,841</b>	<b>\$729</b>
<b>FTE</b>	<b>95,523</b>	<b>98,051</b>	<b>2,528</b>
EITC—outsideCaps	\$144	\$145	\$1
Dollars	2,082	2,082	0
FTE			

### ***INCREASES TO MAINTAIN CURRENT OPERATIONS***

Maintain Current Services Level (MCL) -- **\$336 million** to maintain FY 2000 program levels in FY 2001 by funding pay, benefits, and non-labor inflationary costs.

**Staffing Tax Administration for BaLance and Equity (STABLE) Initiative -- \$144 million and 1,633 FTE** to stabilize and strengthen tax compliance and customer service programs in FY 2001 and **\$39.8 million and 301 FTE** in a proposed FY 2000 supplemental.

**Electronic Tax Administration (ETA) -- \$3 million** for ETA to continue to make progress toward achieving the Congressional goal that 80 percent of all tax and information returns be filed electronically by 2007.

**Operations Contract Management -- \$44 million** for contractual resources to support the IRS organizations that are implementing RRA 98 and the Modernization Concept.

### ***INCREASES FOR MODERNIZATION***

**Organizational Modernization -- \$42 million** to cover expenses of the reorganization of the IRS. Costs for this purpose will peak in FY 2001, decline in FY 2002 and end in FY 2003. Together with the \$140 million that is in the FY 2000 base, these resources will cover all aspects of organizational change that will complement the IRS' systems modernization efforts and implement the RRA 98 reorganization mandate.

**Business Line Investments -- \$40 million** to invest in information systems to support the IRS' new Operating Divisions. IRS organizational modernization has created a demand to enhance legacy tax processing and management information systems for the new operating divisions.

**Information Technology Investment Account (ITIA) Core Business Systems -- \$119 million** to continue to invest in modern technology necessary to improve customer service delivery and address a GAO identified high-risk area. In FY 2000, the IRS requested no funds for ITIA. Remaining balances from prior year appropriations plus the new \$119 million request will support an estimated need in FY 2001 of \$325 million.

**Earned Income Tax Credit**

The IRS is requesting **\$145 million and 2,082 FTE**. This is the fourth year for this account, which is funded outside the spending caps and shown separately in the overall Treasury request. The account provides for expanded customer service and public outreach programs, strengthened enforcement activities, and enhanced research efforts to reduce overclaims and erroneous filings associated with EITC.

- 3 -

## **The STABLE Initiative**

The IRS has made efforts to improve toll-free service, improve access to new Web-based products and information, and expand electronic filing/payment options. At the same time, annual growth in return filings and additional workload from RRA 98 have contributed to a steady erosion of enforcement presence, audit coverage, and case closures in front-line compliance programs. Current estimates of additional work directly related to RRA 98 total nearly 3,000 FTE for compliance and customer service activities.

Beyond this workload growth, staffing resources devoted to critical compliance and enforcement programs have declined by more than 20 percent over the last five years, some caused by the need to transfer compliance employees to customer service activities. Although the IRS is fully committed to realizing every mandate and objective of RRA 98, it is essential that adequate staffing levels in key program areas be restored and maintained.

Through the STABLE initiative, the IRS seeks to stabilize its workforce, restore cuts that have been made to compliance programs, partially offset RRA 98 impacts and continue its progress in improving customer service. STABLE will enable the IRS to:

- increase the level of service on toll-free customer service lines
- expand hours of service and locations for walk-in assistance, while reducing reassignments of personnel from Field Collection
- increase audit coverage for individual returns with over \$100,000 income
- close more collection cases
- increase audit coverage for tax-exempt bond issues
- complete more document matching cases
- process more paper Schedule K-1s from partnership

To ensure that the benefits of the STABLE initiative are realized as quickly as possible, the IRS has proposed a supplemental FY 2000 appropriation of \$39.8 million, which would allow the hiring of 301 FTE in FY 2000. This would ensure that training of new hires would begin in the latter part of FY 2000, allowing the impact of these new hires to be more fully realized in FY 2001. These hires would require additional FY 2001 funding of \$40.7 million and 901 FTE. The IRS would complete the STABLE initiative

with a FY 2001 budget increase of \$144.1 million and 1633 FTE, bringing the total STABLE initiative to \$224.6 million and 2835 FTE over FY 2000 and 2001.

X X X